

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Priority Mail Contract 63 (MC2013-61)  
Negotiated Service Agreement

Docket No. CP2013-81

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE NOTICE OF AMENDMENT  
TO PRIORITY MAIL CONTRACT 63

(April 8, 2015)

The Public Representative hereby provides comments pursuant to Order No. 2424.<sup>1</sup> In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of a change in the terms of Priority Mail Contract 63.<sup>2</sup> Attachment A to the Notice consists of a redacted version of the Amendment to Priority Mail Contract 63.

In Order No. 1846, the Commission approved the Postal Service's request to add a new product identified as Priority Mail Contract 63 to the Competitive product list.<sup>3</sup> The Amendment revises the customer's Priority Mail contract rates, which appear in Sections, I.F., I.G., and I.H, and the annual adjustment, described in Section I.I. The proposed revisions to these sections readjust the dates these Sections take effect from January each year to April of that year. Contract 63, as amended, is currently scheduled to expire 2 years from the effective date of the amendment.

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<sup>1</sup> Order No. 2424, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, April 2, 2015.

<sup>2</sup> Notice of United States Postal Service of Amendment to Priority Mail Contract 63, with Portions Filed Under Seal, March 20, 2015 (Notice).

<sup>3</sup> See Order No. 1846, Order Adding Priority Mail Contract 63 to the Competitive Product List, Docket Nos. MC2013-61/CP2013-81, September 30, 2013.

The Postal Service asserts that the Amendment will not materially affect the cost coverage of Contract 63. Notice at 1. The Postal Service adds that as a result, the supporting financial documentation and financial certification initially provided in Docket Nos. MC2013-61/CP2013-81 remains applicable. *Id.* The Postal Service also states that the Amendment will take effect one business day following the day on which Commission completes its regulatory review of this filing. *Id.*

## COMMENTS

The Public Representative has reviewed Priority Mail Contract 63 and the Postal Service's Amendment thereto. Based upon that review, the Public Representative recommends Commission approval of the Amendment to Contract 63.

The Postal Service's assessment that the Amendment will not materially affect the cost coverage of Contract 63 is not unreasonable. As filed, the Amendment makes minor adjustments to the calculations used to adjust prices during the final two years of the contract. The Public Representative therefore believes that these changes are not likely to have a material effect on cost coverage of Contract 63. This belief is supported by the fact that Contract 63 covered costs in FY 2014.

However, the Public Representative notes that future price adjustments are linked to the most recent average *increase* in prices of general applicability for Priority Mail Commercial Plus. If the Postal Service does not seek a price adjustment, or proposes a decrease in generally applicable prices for Commercial Plus, there will be no change to the Contract 63 prices. As a result, the cost coverage for Contract 63 would decline—assuming contract costs rise in the final two years of the contract.

This concern is mitigated somewhat by the fact that the Postal Service must file revenue and cost data for Contract 63 in future Annual Compliance Reports. This data will permit the Commission to annually review the financial results for Contract 63 in future Annual Compliance Determination (ACD) reports for compliance with 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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